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INFO RUCPDO/DEPT OF COMMERCE WASHDC IMMEDIATE  
RUEHZL/EUROPEAN POLITICAL COLLECTIVE

UNCLAS PRAGUE 000117

SIPDIS

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STATE FOR EUR/NCE AND EB/IPE JBOGER  
STATE PASS USTR FOR JCHOE-GROVES AND WMOORE  
COMMERCE FOR 4232/ITA/MAC/MROGERS  
COMMERCE PASS USPTO

E.O. 12958: N/A

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SUBJECT: CZECH REPUBLIC: KEEP THEM ON THE IPR WATCH LIST

REF: A. PRAGUE 33

1B. 07 PRAGUE 1228

11. (SBU) SUMMARY AND RECOMMENDATION: Post recommends the Czech Republic remain on the Watch List for the 2008 Special 301 review for reasons stated in ref A. Since being placed on the Watch List during the January 22 Out-of-Cycle Review, the Czechs have made little progress in implementing their IPR Action Plan and reducing IPR violations at the border markets. Czechs continue to stress the amount of effort they have put into the development of their action plan but understand that the USG and industry are looking for results, not just intent. However, given sustained Czech efforts, elevated political will, and their desire to get off the Watch List before taking over the EU Presidency in January 2009, Post suggests the USG offer another OCR in fall 2008 as a carrot for the Czechs to implement their Action Plan and show real results. The Czechs plan to submit a Special 301 response to USTR by the February 29 deadline. END SUMMARY AND RECOMMENDATION.

#### POLITICAL PRESSURE RISES

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12. (SBU) Newly-appointed Ministry of Industry and Trade (MIT) EU Department Director Lucie Sestakova told Econoffs that Deputy Minister Martin Tlapa was "disappointed" by the Czech Republic's placement on the Watch List and believed it was "unfair" given all the effort the GOCR has put in to its IPR Action Plan. Sestakova, lamenting that there has not been sufficient time to implement the Czech IPR Action Plan, asked whether the possibility to get off the IPR Watch List during the April 2008 Special 301 review was "real." Econoffs replied that the opportunity is real but only real results would lead to removal from the Watch List. Econoffs also reminded that the USG began engaging the Czechs about IPR violations at the border markets in early 2007 but that an Action Plan did not materialize until October. Sestakova acknowledged the timeline and assured that the Czech Republic would submit a response to USTR by the February 29 deadline that includes data showing real improvements in the IPR situation.

13. (SBU) Recently-appointed Vice Minister of Industry and Trade for Trade and Bilateral issues Milan Hovorka told econoffs February 4 that IPR violations at the border markets are being discussed at the Ministerial level and expressed his desire to cooperate with the USG to resolve the issue. Hovorka, a sharp and reliable interlocutor, expressed his desire to set up regular monthly meetings with the Embassy to discuss bilateral issues, and said that the border market

violations will be one of his focus areas in these discussions.

#### DEVELOPMENTS SINCE OCR REVIEW

14. (SBU) Czech press reported that on February 5, a customs officer inspecting the Vojtanov border market (125 miles west of Prague) was stabbed during a confrontation with a group of approximately thirty stall owners. The police and customs agents responded with a massive and sustained presence at the markets in the region of Vojtanov/Cheb. Subsequent press reports indicate that the sustained law enforcement presence has nearly eliminated the sale of pirated goods at the markets in the immediate vicinity, and actually caused vendors to start selling legitimate goods. Local recording industry (IFPI) representative Petra Zikovska commented to emboff that the unfortunately incident may be just the kind of impetus Czech local authorities need to enforce the rule of law at the border markets.

15. (SBU) COMMENT: Keeping the Czechs on the Special 301 Watch List will provide the necessary pressure the Czech government needs to implement its IPR Action Plan and achieve timely results at the border markets. Czech Prime Minister Mirek Topolaneck's February visit to the United States is providing the necessary political pressure for the Ministry of Industry and Trade to take appropriate action to get off of the Special 301 Watch List. The real test will be to see if this unprecedented political will lasts after the PM's trip is over. In the meantime, Post suggests the USG offer another OCR in fall 2009 to give the Czech Republic an additional carrot to redouble their efforts and achieve results to get off of the IPR Watch List before taking over the EU Presidency on January 1, 2009.  
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